International exploration & production

Management's Discussion & Analysis

Three Months Ended June 30, 2013 and 2012

FIRST QUARTER FISCAL 2014 HIGHLIGHTS

During the first quarter of the Company's fiscal 2014 year, Bengal continued its current strategy resulting in further growth in production and cash flow through the period. With the drilling success realized to date in the Company's Cuisinier asset in the Cooper Basin, Australia, understanding of the magnitude and lower risk profile of this play has evolved, demonstrating that Cuisinier represents a significant short and long term potential resource play asset for Bengal.

Following are highlights of specific operational, financial and corporate achievements and milestones that Bengal reached during the three months ended June 30, 2013:

Financial Highlights:

- **Profitable Quarter + Higher Funds Flows from Operations** –Bengal recorded a profit in the quarter, with positive net income of $0.8 million, compared to a loss of $0.2 million in Q1 of the prior year and a loss of $0.6 million in the preceding quarter this year. Funds flow from operations(1) from operations grew to $1.7 million, compared to a deficiency of $0.1 million in Q1 of the prior year and $1.1 million in the preceding quarter this year.
- **Higher Revenue + Strong Netbacks** – Bengal's realized revenue of $3.7 million was substantially higher than the $0.5 million realized in Q1 of the prior year and 23% higher than the $3.0 million realized in the preceding quarter this year, driven by higher production volumes and very attractive realized pricing. Bengal's operating (field) netback in Australia averaged $89.05 per barrel (bbl) (corporate average of $79.82/bbl), reflecting an 88% production weighting to light (52°), sweet crude oil which was priced at a premium of almost $6.00 / bbl over the Brent benchmark.
- **Financing Activity Strengthens Balance Sheet** – In April, Bengal raised C$5.7 million through a brokered equity private placement, directing proceeds to fund ongoing capital investments.
- **Increase in Cuisinier Working Interest**– On June 26, Bengal announced that it was exercising its pre-emptive right to purchase an additional 5.357% interest in the Cuisinier oil field and Authority to Prospect ("ATP") 752P in the Cooper Basin which will bring the Company's total ownership to 30.357%. Subsequent to quarter end, Bengal successfully raised C$8 million through a private placement of non-convertible unsecured notes to fund the acquisition of this additional interest, which is expected to close in September 2013 and have an effective date of March 15, 2013.

Operating Highlights:

- **Rising Production** – Bengal's production averaged 356 boe/d for the period, an increase of 300% over Q1 of the prior year and 10% over the preceding quarter this year. This production level does not reflect the incremental working interest to be acquired in Cuisinier, which would have increased the quarterly oil production volumes by 67 b/d.
- **Continued 100% Drilling Success In Cuisinier** – During the period ended June 30, 2013, Bengal continued its 100% success rate in the Cuisinier field, with five out of five wells drilled currently being completed as oil producers and tied-in. This brings Bengal's total wells drilled in Cuisinier to 13, with one additional well to be drilled in August. Assuming this sixth well is a successful oil producer; production from these six wells is expected to be fully tied-in by early September which should positively impact volumes and cash flows for the balance of 2013 and into 2014. With the success to date in the Cuisinier area it is now clear that the Company is participating in a significant, seismically supported resource play.
- **Farmout and Joint Venture (JV) Agreement** – On May 23, 2013, Bengal entered into a binding letter of intent with Australia-based Beach Energy Ltd for the exploration and development of Bengal's 100% owned Tookoonooka Permit. Under the agreement terms, Beach will fund the drilling of two new wells and acquire an additional 300 km^2 of 3D seismic, up to a maximum of AUD $11.5 million. One of the wells is anticipated to be in the Caracal area near Bengal's existing oil discovery, with the second well to be situated within the area covered by the new 3D seismic. Subsequent to the end of the quarter, the JV Agreement was finalized and the transaction closed.

- **Receipt of Petroleum License and Pipeline Commissioning -** On April 8, 2013 the final approval of Petroleum Lease 303 ("PL303") for the Cuisinier oil pool was granted, which allows all current and future Cuisinier wells to produce for up to 21 years. Subsequently, on June 7, the Cuisinier to Cook pipeline was commissioned allowing production from all eight of Bengal's pre-2013 wells to flow through the pipeline, and eliminating capacity constraints from trucking for transportation of the oil.

- **Onshore India Drilling Plan -** In Bengal's onshore block in the Cauvery Basin India, the Company intends to commence the drilling of its exploration wells in the first quarter of calendar 2014. Continued activity in onshore India for the balance of calendar 2014 and beyond will depend on the results of the three wells drilled under the existing work program.

- (1) Funds flow from operations is a non-IFRS measure. The comparable IFRS measure is cash from operations. A reconciliation of the two measures can be found in the table on page 5 of Bengal's Q1 fiscal 2014 MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS – AUGUST 13, 2013

The following Management's Discussion and Analysis ("MD&A") as provided by the management of Bengal Energy Ltd. ("Bengal" or the "Company") should be read in conjunction with the unaudited Condensed Consolidated Interim Financial Statements and accompanying notes for the three months ended June 30, 2013 and 2012 and the audited Consolidated Financial Statements and accompanying notes for the years ended March 31, 2013 and 2012. Bengal's financial statements were prepared under International Accounting Standard 34 – "Interim Financial Reporting". Additional information relating to the Company, including detailed reserve disclosures, is included in the Company's Annual Information Form, which is available on SEDAR at www.sedar.com. The reader should be aware that historical results are not necessarily indicative of future performance.

Bengal's activities are focused in Australia and India. Over the reporting period, revenue and expenses were generated in Australia and Canada, and capital expenditures were made in Australia and India. The Company's activities are carried out primarily in Canadian dollars as well as the currencies of each country in which the Company operates. The Company reports financial results in Canadian dollars.

OUTLOOK

As of August 13, 2013, Bengal's producing assets are predominantly situated in Australia's Cooper Basin, a hydrocarbon rich region. Bengal's interest is in an area of the Basin that is in the early stages of appraisal and development, and given the results to date, the Company believes there is significant potential for short, medium and longer term production. Australia offers a stable political, fiscal and economic climate, with an attractive royalty regime for oil and gas production. Underpinned by oil pricing that is benchmarked to global Brent pricing, Bengal's realized operating netbacks from Australia have consistently averaged over $70 per barrel. These factors position Bengal favuorably relative to many of its peer group.

At the time of writing, Bengal had 8 wells producing which were tied into the pipeline, with the 5 new wells from the 2013 drilling campaign being tied-in and one further well to be drilled in August of 2013, with these new wells being expected to come on stream by early September 2013, adding to production volumes for the remainder of calendar 2013. As production through the new Cook pipeline and related facilities is streamlined and optimized, future production guidance will be provided Continued drilling is planned in Cuisinier through calendar 2014, with three new field exploration wells, one appraisal well and four development wells planned. This activity is scheduled to begin mid calendar 2014.

In Tookoonooka, activity through the balance of 2013 and into 2014 will be driven by Bengal's partner, Beach Energy, and will include the drilling of 2 wells and the acquisition of 3D seismic up to a maximum of AUD$11.5 million. Upon Beach completing the work, Bengal's interest in the permit will adjust to 50%, and the two entities will continue joint operations on a 50/50 basis. Future activity and investment in

Tookoonooka will be determined based on the success and results of the drilling and seismic performed by Beach and the JV.

In Bengal's onshore block in India, the Company intends to drill the first of three exploration wells in the first quarter of calendar 2014. Continued activity in onshore India for the balance of calendar 2014 and beyond will depend on the results of the three wells drilled under the existing work program.

In Bengal's offshore block in India, the Company continues to pursue a joint venture partner that would enable a fully carried interest in this potentially high reward but high cost prospect. It is not anticipated that Bengal will expend any capital during fiscal 2014 in the offshore block.

As a result of the Company's growing cash flows, the $5.7 million equity financing that closed in April, the $8 million debt financing that closed in July, and the election by insiders to convert $1.5 million of convertible notes in July, Bengal believes it is sufficiently capitalized to complete its near-term capital expenditure plans and fulfill near-term work program commitments. However, longer term, the Company may require additional external capital to fully evaluate and exploit the large acreage position the Company holds. A higher working interest in Cuisinier and the tie-in of the additional 5 Cuisinier wells drilled in 2013 should contribute to increased production volumes for the balance of calendar 2013, driving stronger funds flow. Continued development and appraisal drilling planned for calendar 2014 in Cuisinier should contribute to increasingly positive operating income for the Company and set the stage for future expanded development. Activity at Tookoonooka with partner Beach Energy will commence later in 2013 on two separate areas of this large permit. Drilling activity on the Company's onshore permit in India in 2014 is designed to potentially add value in late 2014 and onward. Bengal will continue to evaluate accretive transaction opportunities as they arise, with a specific focus on supplementing its existing core areas.

OPERATING HIGHLIGHTS

$000s except per share, volumes and netback amounts						Three Months Ended
		06/30/13		06/30/12		03/31/13
Revenue						
Oil	**$**	**3,626**	$	433	$	2,946
Natural gas		**65**		39		67
Natural gas liquids (NGL)		**31**		26		-
Total	**$**	**3,722**	$	498	$	3,013
Royalties		**204**		45		271
% of revenue		**5.5**		9.0		9.0
Operating & transportation		**930**		247		694
Net operating income	**$**	**2,588**	$	206	$	2,048
Cash from (used in) operations:		**1,249**		(759)		119
Per share ($) (basic & diluted)		**0.02**		(0.01)		(0.00)
Funds flow from (used in) operations:(2)		**1,732**		(62)		1,151
Per share ($) (basic & diluted)		**0.03**		(0.00)		0.02
Net income (loss):		**836**		(211)		(592)
Per share ($) (basic & diluted)		**0.01**		(0.00)		(0.01)
Capital expenditures	**$**	**5,435**	$	7,326	$	1,280
Volumes						
Oil (bbl/d)		**313**		47		287
Natural gas (mcf/d)		**240**		225		229
NGL (boe/d)		**3**		4		-
Total (boe/d @ 6:1)		**356**		89		325
Netback(1) ($/boe)						
Revenue	**$**	**114.83**	$	61.95	$	102.88
Royalties		**6.32**		5.60		9.25
Operating & transportation		**28.69**		30.73		23.70
Total	**$**	**79.82**	$	25.62	$	69.93

(1) Netback is a non-IFRS measure. Netback per boe is calculated by dividing the revenue less royalties, operating and transportation costs by the total production of the Company measured in boe.

(2) Funds flow from operations is a non-IFRS measure. The comparable IFRS measure is cash from operations. A reconciliation of the two measures can be found in the table on page 5.

Basis of Presentation

This MD&A and accompanying financial statements and notes are for the three months ended June 30, 2013. The terms “current quarter” and “the quarter” are used throughout the MD&A and in all cases refer to the period from April 1, 2013 through June 30, 2013. The terms “prior year’s quarter” and “2012 quarter” are used throughout the MD&A for comparative purposes and refer to the period from April 1, 2012 through June 30, 2012.

The fiscal year for the Company is the 12-month period ended March 31, 2014. The terms “fiscal 2014,” “current year” and “the year” are used in the MD&A and in all cases refer to the period from April 1, 2013 through March 31, 2014. The terms “previous year,” “prior year” and “fiscal 2013” are used in the MD&A for comparative purposes and refer to the period from April 1, 2012 through March 31, 2013. The term “preceding quarter” refers to the quarter ended March 31, 2013.

For the purpose of calculating unit costs, natural gas volumes have been converted to barrels of oil equivalent (“boe”) using a conversion ratio of six thousand cubic feet (“mcf”) of natural gas to one barrel (“bbl”) of oil. This conversion ratio of 6:1 is based on an energy equivalency conversion for the individual products, primarily at the burner tip, and is not intended to represent a value equivalency at the wellhead. Such disclosure of boe may be misleading, particularly if used in isolation.

The following abbreviations are used in this MD&A: boe/d means barrels of oil equivalent per day; bbl/d means barrels per day; mcf/d means thousand cubic feet of natural gas per day; $/boe means Canadian dollars per boe; and NGL means natural gas liquids.

Additional GAAP Measure

Bengal uses Funds Flow from Operations, a Generally Accepted Accounting Principles (“GAAP”) measure that is not defined under IFRS. Management believes that in addition to cash provided by operations, Funds Flow from Operations, as reported in the Statements of Cash Flow is a useful supplemental measure as it provides an indication of the funds generated by Bengal’s principal business activities prior to consideration of changes in working capital and remediation expenditures. Bengal considers this to be a key measure of performance as it demonstrates its ability to generate cash flow necessary to fund capital investments and pay debt.

The following table reconciles cash flow from operations to funds flow from operations, which is used in the MD&A:

		Three Months Ended	
$000s	**06/30/13**	06/30/12	03/31/13
Cash flow from (used) in operating activities	**1,249**	(759)	119
Changes in non-cash working capital	**483**	697	1,032
Funds flow from (used in) operations	**1,732**	(62)	1,151

Non-GAAP Financial Measures

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. These measures do not have standardized meanings and may not be comparable to similar measures presented by other oil and gas companies. Measures such as operating netbacks do not have standardized meanings prescribed by GAAP. Operating netbacks equal total revenue less royalties and operating and transportation expenses calculated on a boe basis.

RESULTS OF OPERATONS

Production

The following table outlines Bengal's production volumes for the periods indicated:

Production	Three Months Ended		
	06/30/13	06/30/12	03/31/13
Oil (bbls/d)	**313**	47	287
Natural gas (mcf/d)	**240**	225	229
NGL (boe/d)	**3**	4	-
Total (boe/d)	**356**	89	325

(1) Natural gas and NGL volumes are from the Company's Oak property in Canada
(2) Oil volumes are from the Company's Cooper Basin permits in Australia

For the three months ended June 30, 2013: oil production was mainly from Cuisinier 4, 5, 6 and Cuisinier North 1 and Barta North 1(C4, C5, C6, CN1 and BN1). All these wells commenced production in late October 2012. Cuisinier 1, 2 and 3 recommenced production in late May 2013. Cuisinier 1, 2 and 3 had been shut in since early 2012, initially awaiting a production license and later awaiting available capacity which was provided by the commissioning of the Cook to Cuisinier pipeline.

Oil production increased to 313 bbl/d in the current quarter compared to 47 bbl/d in the prior year quarter due to commencement of production from C4, C5, C6, CN1 and BN1.

Oil production increased 26 bbl/d in the three months ended June 30, 2013 compared to the preceding quarter due to commencement of C1, C2 and C3 production.

In April 2013 Bengal received final approval of the required production lease for the Cuisinier oil pool, which permits all current and future Cuisinier wells to produce for up to 21 years.

The Cuisinier to Cook liquids pipeline was commissioned in June 2013 and trucking to sales points is no longer required.

Pricing

The following table outlines average benchmark prices compared to Bengal's realized prices:

Prices and Marketing	Three Months Ended		
	06/30/13	06/30/12	03/31/13
Average Benchmark Prices			
AECO 30 day firm ($/mcf)	**$ 3.59**	$ 1.83	$ 3.22
Dated Brent oil ($US/bbl)	**103.30**	108.75	112.43
Number of CAD$ for 1 AUD$	**1.01**	1.02	1.05
Number of CAD$ for 1 USD$	**1.02**	1.01	1.00
WTI oil ($US/bbl)	**93.82**	92.09	95.76
Bengal's Realized Price ($CAD)			
Oil ($/bbl)	**$ 127.33**	$ 101.86	$ 114.02
Natural gas ($/mcf)	**2.98**	1.90	3.25
NGL ($/bbl)	**110.71**	70.62	-
Total ($/boe)	**114.83**	61.95	102.88

Bengal's total realized prices for the three months ended June 30, 2013 increased as a result of higher gas prices and strengthening USD / CAD exchange rates at June 30. Oil prices are received in USD and are based on the Dated Brent reference price plus a quality differential of approximately $5.00. Realized USD revenues are then converted to CAD presentation currency. The relatively high CAD realized price shown in the table above is due to a weakening CAD against the USD, particularly at June 30, 2013. Future prices will continue to be affected by volatility in foreign exchange rates. Realized prices are also impacted by the relatively large accrual done at the end of each quarter which is priced at period end prices rather than period average prices. The total Company-realized price on a boe basis also increased due to a higher proportion of oil production.

The price received for Bengal's Australian oil sales is based on Dated Brent quotes as published by Platts Crude Oil Marketwire for the month in which the Bill of Lading occurs plus a Platts Tapis premium. Brent typically has traded at a premium to West Texas Intermediate (WTI) and the Platts Tapis premium received has averaged USD $5.79/bbl over Brent for the three months ended June 30, 2013.

Petroleum and Natural Gas Sales

The following table outlines Bengal's production sales by category for the periods indicated below:

Petroleum and Natural Gas Sales ($000s)		**Three Months Ended**	
	06/30/13	06/30/12	03/31/13
Oil	**3,626**	433	2,946
Natural gas	**65**	39	67
NGL	**31**	26	-
Total	**3,722**	498	3,013

(1) Natural gas and NGL sales are from the Company's Oak property in Canada

(2) Oil sales are from the Company's Cooper Basin permits in Australia

Petroleum and natural gas sales increased by $3,224,000 in the current quarter compared to the prior year quarter due to increased oil production volumes and higher realized oil prices.

Petroleum and natural gas sales increased by $709,000 in the current quarter compared to the preceding quarter again due to increased oil production volumes and higher realized oil prices.

Royalties

Royalties by Type ($000s)		**Three Months Ended**	
	06/30/13	06/30/12	03/31/13
Canada Crown	**-**	3	(1)
Can. gross overriding	**5**	3	7
Australia	**199**	39	265
Total	**204**	45	271
$/boe	**6.32**	5.60	9.25
% of revenue	**5.5**	9.0	9.0
Royalties by Commodity		**Three Months Ended**	
	06/30/13	06/30/12	03/31/13
Oil			
$000s	**199**	39	268
$/bbl	**7.02**	9.17	10.25
% of revenue	**5.5**	9.0	9.0
Natural gas			
$000s	**-**	1	6
$/mcf	**-**	0.04	0.35
% of revenue	**-**	2.6	10.4
NGLs			
$000s	**5**	5	(1)
$/bbl	**16.48**	14.02	202.56
% of revenue	**16.1**	19.2	50.0

Royalty payments are made by oil and natural gas producers to the owners of the mineral rights on the leases. These owners include governments (Crown) and freehold landowners as well as other third parties that may receive contractual overriding royalties.

In Australia, oil royalties are based on a government-established rate of 10% plus a Native Title royalty which is typically 1%. The royalty rate is applied to gross revenues after deducting an allowance for transportation and operating costs resulting in an effective rate of less than 10%.

Royalties have increased in the current quarter compared to the prior year quarter both on a boe basis and in total due to increased revenues and a larger proportion of higher royalty rate oil sales in the overall sales mix.

Royalties as a percentage of revenue have declined due to increased transportation and capital deductions resulting from competition of the Cook pipeline and infrastructure, available to reduce revenue prior to applying the 10% Australian royalty rate. The effective royalty rate going forward is expected to be approximately 7%.

Operating and Transportation Expenses

Operating Expenses ($000s)		**Three Months Ended**	
	06/30/13	06/30/12	03/31/13
Australia			
Operating	**240**	89	92
Transportation	**648**	82	531
	888	171	623
Canada – Oper. costs	**42**	76	71
Total	**930**	247	694
Australia			
Operating - $/boe	**8.42**	20.93	3.56
Transp. - $/boe	**22.74**	19.29	20.54
Canada - $/boe	**10.73**	20.07	20.70
Total ($boe)	**28.69**	30.73	23.70

Operating and transportation expenses increased in the current quarter compared to the prior year quarter mainly as a result of increased oil volumes. Australian operating costs on a boe basis decreased as fixed operating costs declined per boe as production volumes increased. Operating and transportation costs increased in Australia in the current quarter compared to the preceding quarter due to increased pipeline costs due to the commissioning of the Cuisinier to Cook and the Cook to Merrimelia pipelines in May 2013 and due higher field operating costs in the current quarter.

Transportation costs in Australia are incurred to transport Bengal's oil production through pipelines from various processing facilities to the centralized Moomba facility which accepts production from throughout the Cooper Basin in Australia. The oil is then sent through a pipeline to Port Bonython, South Australia.

General and Administrative (G&A) Expenses

General and Admin. Expenses ($000s)		**Three Months Ended**	
	06/30/2013	06/30/2012	03/31/13
G&A	**920**	1,083	1,036
Capitalized G&A	**(106)**	-	(120)
Net G&A	**814**	1,083	916

For the quarter, gross G&A expenses decreased $163,000 or 15% compared to the 2012 quarter and decreased 11% from the preceding quarter. The decrease is due to advancement of the India operations to a new phase with upcoming drilling and restructuring the Indian operations support.

Beginning in the second quarter of fiscal 2013, the Company initiated capitalizing G&A expenses related to geological, geophysical and engineering expenses associated with exploration and development activities concurrent with the Company being operator for the first time and similar expenses associated with its newly acquired drilling rig.

Share-based Compensation (SBC)

Share-Based Compensation ($000s)		**Three Months Ended**	
	06/30/13	06/30/12	03/31/13
SBC – options	**157**	$ 207	173
SBC – capitalized	**(35)**	(34)	(46)
Share-based compensation	**122**	$ 173	127

The Company uses the Black-Scholes pricing model to estimate the fair value of options on the date of grant and amortizes the estimated expense over the vesting period with a corresponding increase to contributed surplus. Options expire three to five years from the grant date; they vest one-third on the grant date and one-third on each of the following two annual anniversaries. Effective with the option grant that was made on December 21, 2012, vesting occurs one third after the first year and one third on each of the two subsequent anniversaries.

Capitalized share-based compensation is based on the portion of capitalized fees to total fees paid to consultants and employees that have been granted options.

In the current quarter, no stock options were granted, 200,000 expired and none were forfeited. No options were exercised during the period. The decrease in share-based compensation, before capitalization, is largely a result of having no options granted since December 2012 (the first one third vesting after one year).

Depletion and Depreciation (DD&A)

DD&A Expenses ($000s)	Three Months Ended		
	06/30/13	06/30/12	03/31/13
PNG – Australia	**7867**	58	708
PNG – Canada	**28**	35	30
Subtotal	**814**	93	738
Rig - Canada	**-**	-	-
Total	**814**	93	738
$/boe – PNG Australia	**27.61**	13.64	27.38
$/boe – PNG Canada	**7.15**	9.51	8.75
$/boe – Total PNG	**25.14**	11.69	25.20

Current quarter depletion in total and per boe increased in Australia over the previous year quarter due to the increase in petroleum and natural gas property expenditures and the increased oil production and remained relatively unchanged from the preceding quarter on a boe basis.

Impairment

Impairment ($000s)	Three Months Ended		
	06/30/13	06/30/12	**03/31/13**
	-	(847)	829

There was no impairment in the current quarter. In the three months ended June 30, 2012, the Company reported an $847,000 impairment recovery against a previously impaired Australian exploration well.

In the three months ended March 31, 2013, the Company reported a $825,000 impairment loss pursuant to the surrender of permit AC/P 47.

Finance Income

Finance Income ($000s)	Three Months Ended		
	06/30/13	06/30/12	**03/31/13**
Interest income	**11**	92	2

The Company is receiving interest on guaranteed investment certificates and term deposits. The decrease in interest income is primarily attributable to reduced principal amount of short-term deposits from the prior year period.

Finance Expenses

Finance Expenses ($000s)	Three Months Ended		
	06/30/13	06/30/12	03/31/13
Accretion expense on decommissioning liabilities	**2**	2	2
Accretion expense on notes	**46**	-	59
Performance Security Guarantee fee	**-**	24	16
Interest on notes payable	**52**	-	38
Finance expenses	**100**	26	115

The Performance Security Guarantee fee is paid to Export Development Canada for security guarantee for onshore and offshore India work programs. The reduced fee is a result of the work program being partially fulfilled.

The Company issued $1,750,000 in convertible notes and $1,750,000 in non-convertible notes in January 2013. The interest rate is prime plus 3%.

Funds flow from (used in) Operations and Net Loss

For the three months ended June 30, 2013, funds flow from operations were $1,732,000 or $0.03 per basic and diluted share compared to funds flow used in operations of $62,000 or $0.00 per basic and diluted share in the 2012 quarter and $1,151,000 or $0.02 per basic and diluted share in the preceding quarter. The changes in non-cash working capital are removed from the IFRS measure cash flow from (used in) operations to arrive at the non-IFRS measure funds flow from (used in) operations (see reconciliation on page 5).

Net income for the three months ended June 30, 2013 was $836,000 or $0.01 per basic and diluted share compared to a net loss of $211,000 or $0.00 per basic and diluted share in the 2012 quarter and a net loss of $592,000 or $0.01 per basic and diluted share in the preceding quarter. The increase in net income was due to increased production and higher commodity prices in the current quarter.

CAPITAL EXPENDITURES

Capital Expenditures ($000s)	Three Months Ended		
	06/30/13	06/30/12	03/31/13
Geological and geophysical	**1,104**	1,071	190
Drilling	**2,342**	2,889	672
Drilling Rig	**-**	3,017	23
Completions	**1,989**	337	395
Total oil & gas expenditures	**5,435**	7,314	1,280
Office	**-**	12	-
Total expenditures	**5,435**	7,326	1,280
Exploration & evaluation expenditures	**859**	2,150	303
Development & production expenditures	**4,576**	2,159	954
Property, plant and equipment	**-**	3,017	23
Total net expenditures	**5,435**	7,326	1,280

In the three months ended June 30, 2013, drilling and completion expenditures were incurred to drill and complete five Cuisinier appraisal wells on the Company's ATP 752 permit. Costs were also incurred to complete the Indian seismic program and participate in geological and geophysical analysis and studies to continue to evaluate the Cuisinier field and Cuisinier North 3D seismic as well as the Caracal prospect and surrounding 3D seismic on the Tookoonooka permit (ATP 732P).

SHARE CAPITAL

Bengal has an unlimited number of common shares authorized for issuance. At August 13, 2013, there were 61,610,843 common shares issued and outstanding.

On April 16, 2013 the Company announced that it had closed a brokered private placement of common shares. The Company issued a total of 9,500,666 Common Shares at a price of $0.60 per Common Share for aggregate gross proceeds of approximately $5,700,400. The Company paid the Agents a commission of approximately $282,000, being 6.0% of the gross proceeds of the Offering excluding $1,000,000 of President's list subscriptions. A total of 2,400,300 shares of the Offering were purchased by insiders of the Company.

At August 13, 2013, there were 3,996,665 employee stock options outstanding with an average exercise price of $0.97 per share. Of these, 2,400,000 have vested and are exercisable at an average price of $1.12 per share. These options expire between 2013 and 2017 with an average remaining life of 3.16 years.

Trading History						
				Three Months Ended		
		06/30/13		06/30/12		03/31/13
High	**$**	**0.79**	$	1.01	$	0.80
Low	**$**	**0.58**	$	0.52	$	0.50
Close	**$**	**0.64**	$	0.58	$	0.70
Volume (000s)		**3,817**		3,326		3,560
Shares outstanding (000s)		**61,611**		52,110		52,110
Weighted average shares outstanding (000s)						
Basic		**59,940**		52,110		52,110
Diluted		**63,455**		52,110		52,110

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2013 the Company had a working capital deficit of $0.3 million, including cash and short-term deposits of $5.8 million and restricted cash of $0.1 million, compared to a working capital deficiency of $1.6 million, including cash and short term deposits of $2.6 million and restricted cash of $0.1 million at March 31, 2013.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations, including work commitments, as they are due. As a result of the Company's growing funds flow, the $5.7 million equity financing that closed in April, the $8 million debt financing that closed in July, and the election by insiders to convert $1.5 million of convertible notes in July, Bengal believes it is sufficiently capitalized to complete its near-term capital expenditure plans and work program commitments. However, longer term, the Company may require additional external capital to fully evaluate and exploit the large acreage position the Company holds. The Company may need to raise funds through some combination of equity capital, debt financing, joint venture partnership(s) or farm out arrangement(s) or divest assets. There is no assurance that additional funds will be available to the Company or, if available, that the funds will be available on terms acceptable to the Company.

In Tookoonooka, the Company has acquired a partner in Beach Energy. In Bengal's offshore block in India, the Company continues to pursue a joint venture partner.

COMMITMENTS

Pursuant to current production sharing contracts ("PSC"), the Company is required to perform minimum exploration activities that include various types of surveys, acquisition and processing of seismic data and drilling of exploration wells. Additional commitments are reflected where the Company has agreed with joint venture partners to proceed with activities. The costs of these activities are based on minimum work budgets included in bid documents and have not been provided for in the financial statements. Actual costs will vary from budget.

Country and Permit	Work Program	Obligation Period Ending	Estimated Expenditure (net) (millions CAD$)[(1)]
Onshore Australia – ATP 752 Cuisinier	Complete tie-in of 5 well drilling program and drill 6th well	March 2013 to April 2014	$1.4
Onshore India – CY-ONN-2005/1	Three wells	March 3, 2014[(2)]	$ 4.3
Offshore India – CY-OSN-2009/1	310 km 2D seismic & 81 km^2 3D seismic	August 15, 2014[(3)]	$ 5.5

(1) Translated at June 30, 2013 exchange rate of US $1.0000 = CAD $1.0515 and AUD $1.0000 = CAD $0.9604
(2) If the Company did not participate in the drilling of three wells, costs of up to $4.8 million could be impaired and the Company's interest in the permit would decline proportionately to the amount of non-participation.
(3) The Company is looking for a partner to participate in this permit and share the costs.

Guarantees – India Permits

($000s) CAD	Quarter Ended June 30, 2013	Year ended March 31, 2013
CY-OSN-2005/1 – Onshore India – year 3	**-**	**836**
CY-OSN-2005/1 – Onshore India – year 4	**760**	**735**
CY-OSN-2009/1 – Offshore India	**159**	**154**
Total Guarantees	**919**	**1,725**

These performance guarantees are based on a percentage of the capital commitments shown in the table above and are not reflected in the statement of financial position as they are secured by Export Development Canada. These guarantees are cancelled when the Company completes the work program commitment required for the applicable exploration period.

Other

At June 30, 2013, the contractual obligations for which the Company is responsible are as follows:

Contractual Obligations ($000s)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Office lease	935	245	500	190	-
Decommissioning obligations	389		65	-	324
Total contractual obligations	1,324	245	565	190	324

CONTINGENCIES

Final application for grant of permit ATP 934 has been filed with the Queensland Government regulatory authority. No further activity is planned on this permit until the final Ministerial Grant of the tenement is received. Potential legislative changes may result in a lower commitment than shown in the table below. The Company holds a 50% operating interest in this permit. Work program consists of 500 km of 2D seismic and up to seven wells.

Country and Permit	Work Program	Obligation Period Ending	Estimated Expenditure (net) (millions CAD$)
Onshore Australia – ATP 934P	Awaiting Ministerial approval before granting of ATP	4 years after grant of ATP	$ 11.2

RELATED PARTY TRANSACTIONS

On April 16, 2013 the Company announced that it has closed a brokered private placement of common shares. The Company issued a total of 9,500,666 Common Shares at a price of $0.60 per Common Share for aggregate gross proceeds of approximately $5,700,400. A total of 2,400,300 shares of the Offering were purchased by insiders of the Company.

On April 18, 2013, the term of the Company's non-convertible notes were extended from July 24, 2013 to January 24, 2014. As consideration for the extension of the maturity date, the interest rate payable under the non-convertible notes was increased to 10.0% per annum from prime plus 3% effective July 25, 2013. Insiders hold approximately 85% of these Notes.

Subsequent to quarter end, on July 5, 2013 the Company closed a non-brokered private placement (the "Private Placement") of 8,000 Units ("Units") of the Company at a price of $1,000 per Unit for aggregate gross proceeds of $8.0 million. Each Unit consists of $1,000 principal amount of 10% unsecured non-convertible redeemable notes ("Notes") and either: (i) 156.25 common share purchase warrants ("Warrants"), in the case of subscriptions by non-insiders, or (ii) 156.25 value appreciation rights ("VAR's"), in the case of subscriptions by insiders. The Notes bear interest at a rate of 10% per annum, payable quarterly, and have a term of 36 months. Following the first anniversary of the closing date (the "Closing Date") of the Private Placement, the Company shall be required to make quarterly repayments of the outstanding principal of Notes in an amount equal to 6.25% of the principal amount of Notes outstanding on the last day of each applicable quarter. Each whole Warrant entitles the holder thereof, for a period of 36 months following the Closing Date, to acquire one common share (a "Common Share") in the capital of the Company at a purchase price equal to $0.75 per share. Each whole VAR entitles the holder thereof, for a period of 36 months following the Closing Date, to exercise the VAR and thereby receive a cash payment equal to the difference between the market price of one Common Share on the exercise date and $0.75. Certain insiders of the Company purchased 3,500 Units representing over 40% of the total Units issued, and 4,500 Units were purchased by non-insiders.

The proceeds from the July 5, 2013 $8.0 million Private Placement of Units will be used to fund the Company's previously announced exercise of a pre-emptive right to purchase an additional 5.357% interest in the Cuisinier Oil Field and Authority to Prospect 752P in the Cooper-Eromanga Basin in Queensland, Australia. Upon completion of the Acquisition, the Company's total ownership in Cuisinier will increase to 30.357%.

In July certain insiders of the Company elected to convert $1.5 million of short-term convertible notes into common shares of Bengal at an exercise price of $0.56 per common share.

OFF BALANCE SHEET TRANSACTIONS

The Company does not have any off balance sheet transactions.

SELECTED QUARTERLY INFORMATION

(000s, except per share amounts)	**Jun. 30 2013**	Mar. 31 2013	Dec. 31 2012	Sep. 30 2012	Jun. 30 2012	Mar. 31 2012	Dec. 31 2011	Sep. 30 2011
Petroleum and natural gas sales	**$ 3,722**	$ 3,013	$ 1,937	$ 437	$ 498	$ 622	$ 1,328	$ 1,017
Cash flow from (used in) operations	**1,249**	119	(378)	315	(759)	486	(417)	159
Per share Basic and diluted	**0.02**	(0.00)	(0.01)	0.01	(0.01)	0.01	(0.01)	0.00
Funds flow from (used in) operations[1]	**1,732**	1,151	481	(471)	(62)	(635)	(402)	(430)
Per share	**0.03**		0.01	(0.01)	0.00	(0.01)	(0.01)	

Basic and diluted		0.02						(0.01)
Net income (loss)	**$ 836**	$ (592)	$ (151)	$ (845)	$ (211)	$(1,424)	$(477)	$(4,247)
Per share								
Basic and diluted	**0.01**	(0.01)	(0.00)	(0.02)	0.00	(0.03)	(0.01)	(0.08)
Capital expenditures	**$ 5,435**	$ 1,281	$ 9,475	$10,299	$ 7,326	$2,233	$4,265	$2,407
Working capital (deficiency)	**(279)**	(1,647)	(1,436)	7,578	18,425	25,722	28,798	33,109
Total assets	**54,556**	49,143	47,584	46,557	44,484	43,696	44,899	45,696
Shares outstanding	**61,611**	52,110	52,110	52,110	52,110	52,110	52,110	51,961
Operations								
Average daily production								
Natural gas (mcf/d)	**240**	229	110	159	225	304	271	196
Oil and NGLs (bbls/d)	**316**	287	185	38	51	52	112	97
Combined (boe/d)	**356**	325	203	65	89	103	157	130
Netback ($/boe)	**$ 79.82**	$ 69.93	$ 60.92	$ 40.07	$ 24.51	$ 27.27	$ 49.89	$ 51.42

(1) See “Non-IFRS Measurements” on page 7 of this MD&A.

Beginning in the quarter ended March 31, 2011 and continuing through to the quarter ended December 31, 2011, oil volumes were increasing due to commencement of production from the Cuisinier 1 well in the Cooper Basin of Australia in May 2010 and the Cuisinier 2 and 3 wells in the quarter ended September 2011. Oil sales beginning in January 2012 were impacted by the temporary shut in of Cuisinier 1 on January 13, 2012 and Cuisinier 2 and 3 in August and September 2012 while the Company waited for approval of a Production License. Oil volumes increased in the quarter ended December 31, 2012 due to commencement of production from Cuisinier 4, 5, 6 and Cuisinier North 1 and Barta North 1. These well were drilled in mid 2012 and started producing under a six month Extended Production Test in October 2012. The Cuisinier 1, 2 and 3 wells came back onto production in May 2013.

Gas volumes declined in the quarter ended September 30, 2011 due to a plant turnaround at the Oak B.C. property and are in a general decline due to natural reservoir declines. Gas volumes also declined in the quarter ended June 30, 2012 due to the removal of a rental screw compressor (due to low gas prices and the cost of the rental plus associated maintenance) and an unscheduled plant shutdown at the Oak property due to a leak in the line to the flare stack. Gas volumes declined in the quarter ended September 30, 2012 as the Company's Oak B.C. gas property was shut in due to low gas prices. This property recommenced production in December 2012.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and includes controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

The Chief Executive Officer and Chief Financial Officer oversee this evaluation process and have concluded that the design and operation of these disclosure controls and procedures are not effective due to the material weaknesses identified in internal controls over financial reporting as noted below. The Chief Executive Officer and Chief Financial Officer have individually signed certifications to this effect.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of Bengal are responsible for designing and ensuring the operating effectiveness of internal controls over financial reporting ("ICFR") or causing them to be designed and operating effectively under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Bengal's certifying officers have assessed the design and operating effectiveness of internal controls over financial reporting and concluded that the Company's ICFR were ineffective at June 30, 2013 due to the material weaknesses noted below.

No changes in internal controls over financial reporting were identified during the period that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

While Bengal's Chief Executive Officer and Chief Financial Officer believe the Company's internal controls and procedures provide a reasonable level of assurance that they are reliable, an internal control system cannot prevent all errors and fraud. It is management's belief that any control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

During the design and operating effectiveness assessment certain material weaknesses in internal controls over financial reporting were identified, as follows:

- Management is aware that there is a lack of segregation of duties due to the small number of employees dealing with general and administrative and financial matters. However, management believes that at this time the potential benefits of adding employees to clearly segregate duties do not justify the costs;
- Bengal does not have full-time in-house personnel to address all complex and non-routine financial accounting issues and tax matters that may arise. It is not deemed as economically feasible at this time to have such personnel. Bengal relies on external experts for review and advice on complex financial accounting issues and for tax planning, tax provision and compilation of corporate tax returns.

These material weaknesses in internal controls over financial reporting result in a reasonable possibility that a material misstatement will not be prevented or detected on a timely basis. Management and the Board of Directors work to mitigate the risk of material misstatement; however, Management and the Board do not have reasonable assurance that this risk can be reduced to a remote likelihood of a material misstatement.

RISK FACTORS

There are a number of risk factors facing companies that participate in the oil and gas industry. A complete list of risk factors are provided in Bengal's Annual Information Form dated July 3, 2013 filed on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional information relating to Bengal is filed on SEDAR and can be viewed at www.sedar.com. Information can also be obtained by contacting the Company at Bengal Energy Ltd., Suite 1810, 801 6th Avenue SW., Calgary, Alberta T2P 3W2, by email to info@bengalenergy.ca or by accessing Bengal's website at www.bengalenergy.ca.

Forward-looking Statements *- Certain statements contained within the Management's Discussion and Analysis, and in certain documents incorporated by reference into this document, constitute forward-looking statements. These statements relate to future events or Bengal's future performance. All statements other than statements of historical* *fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek," "anticipate," "budget," "plan," "continue," "estimate," "expect," "forecast," "may," "will," "project," "predict," "potential," "targeting," "intend," "could," "might," "should," "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Bengal believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon.*

In particular, this Management's Discussion and Analysis, and the documents incorporated by reference, contain forward-looking statements pertaining to the following:

- *Oil and natural gas production levels;*
- *The size of the oil and natural gas reserves;*
- *Projections of market prices and costs;*
- *Expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;*
- *Treatment under governmental regulatory regimes and tax laws;*
- *Capital expenditures programs and estimates of costs;*
- *Expectations that Bengal's future realized gas and oil prices will coincide with the B.C Station 2 and Brent daily index prices;*
- *Funding of working capital requirements, commitments and other planned expenses will be by cash on hand, cashflows, farm-outs, joint ventures or share issues and funds will be sufficient to meet requirements;*
- *Continuation of exploration and development activities on Block CY-ONN-2005/1 and whether identified play types on this Block will be prospective and whether 3 wells will be drilled on this block by March 2014;*
- *Commencement of exploration and development activities on Block CY-OSN-2009/1;*
- *Continuation of exploration, development and production activities on Permit ATP 752P onshore Australia;*
- *Obtaining Ministerial Grant of the tenement on ATP 934P in Australia and commencement of exploration activities;*
- *That further drilling activities on ATP 732P will occur and that Bengal's farm-in partner will fulfill their AUD $11.5 million farm-in commitment consisting of 2 wells and 300 square km of 3D seismic.*

With respect to the forward looking statements contained in the MD&A, Bengal has made assumptions regarding: future commodity prices; the impact of royalty regimes; the timing and the amount of capital expenditures; production of new and existing wells and the timing of new wells coming on stream; future operating expenses including processing and gathering fees; the performance characteristics of oil and natural gas properties; the size of oil and natural gas reserves; the ability to raise capital; the continued availability of undeveloped land and skilled personnel; the ability to obtain equipment in a timely manner to carry out exploration and development activities; the ability to obtain financing on acceptable terms; the ability to add production and reserves through exploration and development activities; and the continued stability of political, regulatory; tax and fiscal regimes in which the Company has operations.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Management's Discussion and Analysis:

- *Volatility in market prices for oil and natural gas;*
- *Liabilities inherent in oil and natural gas operations;*
- *Uncertainties associated with estimating oil and natural gas reserves;*
- *Competition for, among other things: capital, acquisitions of reserves, undeveloped lands and skilled personnel;*
- *Incorrect assessment of the value of acquisitions;*
- *Unable to meet commitments due to inability to raise funds or complete farm-outs;*
- *Geological, technical, drilling and processing problems;*

- *Changes in income tax laws or changes to royalty and environmental regulations relating to the oil and gas industry;*
- *The risk that Bengal may not be successful in raising funds by an equity issue; and*
- *Counter-party credit risk, stock market volatility and market valuation of Bengal's stock.*

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The forward-looking statements contained in this document speak only as of the date of this document and Bengal does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws. Additional information on these and other factors that could affect Bengal's operations and financial results are included in reports on file with Canadian securities authorities and may be accessed through the SEDAR website (www.sedar.com) and at Bengal's website (www.bengalenergy.ca).

These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this Management's Discussion and Analysis, as the case may be.

CORPORATE INFORMATION

AUDITORS

KPMG LLP • Calgary, Canada

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP • Calgary, Canada
Allens Arthur Robinson • Brisbane, Australia

BANKERS

Royal Bank of Canada • Calgary, Canada
West Pac Bank • Brisbane, Australia
Commonwealth Bank • Brisbane, Australia
ICICI Bank Ltd. • Calgary, Canada and Mumbai, India

REGISTRAR AND TRANSFER AGENT

Valiant Trust Corporation • Calgary, Canada

INVESTOR RELATIONS

Bryan Mills Iradesso • Calgary, Canada
5 Quarters Investor Relations • Calgary, Canada

DIRECTORS

Chayan Chakrabarty
Peter D. Gaffney
James B. Howe
Stephen N. Inbusch
Dr. Brian J. Moss
R. D. (Bob) Steele
Ian J. Towers (Chairman)
W.B. (Bill) Wheeler

DISCLOSURE COMMITTEE

All Directors are members of the Committee

AUDIT COMMITTEE

James B. Howe (Chairman)
Stephen N. Inbusch
R. D. (Bob) Steele
W.B. (Bill) Wheeler

RESERVES COMMITTEE

Peter D. Gaffney (Chairman)
Stephen N. Inbusch
Dr. Brian J. Moss

GOVERNANCE AND COMPENSATION COMMITTEE

Peter D. Gaffney
Dr. Brian J. Moss
R. D. (Bob) Steele (Chairman)
Ian J. Towers

OFFICERS

Chayan Chakrabarty, President & Chief Executive Officer
Richard N. Edgar, Executive Vice President
Bryan C. Goudie, Chief Financial Officer
Gordon R. MacMahon, Vice President, Exploration
Bruce Allford, Secretary

STOCK EXCHANGE LISTING – TSX:BNG

Bengal
ENERGY LTD.

Condensed Consolidated Interim Financial Statements (unaudited)

Three months ended June 30, 2013 and 2012

BENGAL ENERGY LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Thousands of Canadian dollars)

(unaudited)

As at	Notes	June 30, 2013	March 31, 2013
ASSETS			
Current assets:			
Cash and cash equivalents		**$ 5,841**	$ 2,614
Restricted cash		**140**	140
Accounts receivable		**3,929**	3,550
Prepaid expenses and deposits		**239**	110
		10,149	6,414
Non-current assets:			
Exploration and evaluation assets	**3**	**25,485**	26,416
Petroleum and natural gas properties	**4**	**14,239**	11,630
Property, plant and equipment	**5**	**4,683**	4,683
		44,407	42,729
Total assets		**$ 54,556**	$ 49,143
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		**$ 6,943**	$ 4,622
Convertible & non-convertible notes payable	**6**	**3,485**	3,439
		10,428	8,061
Non-current liabilities:			
Decommissioning liabilities	**7**	**389**	320
Shareholders' equity:			
Share capital		**91,524**	86,246
Contributed surplus		**6,624**	6,466
Equity component convertible debenture		**25**	25
Accumulated other comprehensive income		**(1,714)**	1,581
Deficit		**(52,720)**	(53,556)
		43,739	40,762
Total liabilities and shareholders' equity		**$ 54,556**	$ 49,143

Commitments (note 12)

Subsequent event (note 14)

See accompanying notes to the condensed consolidated interim financial statements.

BENGAL ENERGY LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Thousands of Canadian dollars, except per share amounts)

(unaudited)

For the three months ended June 30,	Notes	2013	2012
Income			
Petroleum and natural gas revenue		$ 3,722	$ 498
Royalties		(204)	(45)
		3,518	453
Operating expenses			
General and administrative		814	1,083
Operating and transportation		930	247
Depletion and depreciation	4	814	93
Pre-licensing and impairment (recovery)		-	(847)
Share-based compensation		122	173
		2,682	749
Operating income (loss)		836	(296)
Other income (expenses)			
Finance income		11	92
Finance expenses	9	(100)	(26)
Foreign exchange gain		89	19
		-	85
Net income (loss)		836	(211)
Exchange differences on translation of foreign operations		(3,295)	199
Total comprehensive loss for the period		$ (2,459)	$ (12)
Income (loss) per share			
- Basic & Diluted	8	$ 0.01	$ (0.00)
Weighted average number of shares outstanding (000s)			
- Basic	8	59,940,396	52,110
- Diluted	8	63,454,520	52,110

See accompanying notes to the condensed consolidated interim financial statements.

BENGAL ENERGY LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Thousands of Canadian dollars)

(unaudited)

	Shares outstanding	Share capital	Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income	Deficit	Total shareholders' equity
Balance at April 1, 2012	52,110,177	$ 86,246	$ 5,779	$ –	$ 717	$ (51,757)	$ 40,985
Net loss for the period	-	-	-	-	-	(211)	(211)
Comprehensive income for the	-	-	-	-	199		199
Share-based compensation – expensed	-	-	173	-	-	-	173
Share-based compensation – capitalized	-	-	34	-	-	-	34
Balance at June 30, 2012	**52,110,177**	**$ 86,246**	**$ 5,986**	**$ -**	**$ 916**	**$ (51,968)**	**$ 41,180**
Balance at April 1, 2013	**52,110,177**	**$ 86,246**	**$ 6,466**	**$ 25**	**$ 1,581**	**$ (53,556)**	**$ 40,762**
Net income for the period	-	-	-	-	-	836	836
Comprehensive loss for the period	-	-	-	-	(3,295)	-	(3,295)
Common share issuance	9,500,666	5,700	-	-	-	-	5,700
Share issue costs	-	(422)	-	-	-	-	(422)
Share-based compensation – expensed	-	-	122	-	-	-	122
Share-based compensation – capitalized	-	-	36	-	-	-	36
Balance at June 30, 2013	**61,610,843**	**$ 91,524**	**$ 6,624**	**$ 25**	**$ (1,714)**	**$ (52,720)**	**$ 43,739**

See accompanying notes to the condensed consolidated interim financial statements.

BENGAL ENERGY LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Thousands of Canadian dollars)

(unaudited)

For the three months ended June 30,	Notes	2013	2012
Operating activities			
Net income (loss)		**$ 836**	$ (211)
Non-cash items:			
Depletion and depreciation		**814**	93
Accretion on decommissioning liability		**2**	2
Accretion on note payable		**46**	-
Share-based compensation		**122**	173
Unrealized foreign exchange gain		**(88)**	(119)
Funds flow from (used in) operating activities		**1,732**	(62)
Change in non-cash working capital	**11**	**(483)**	(697)
Net cash flow from(used in) operating activities		**1,249**	(759)
Investing activities			
Exploration and evaluation expenditures		**(859)**	(2,150)
Petroleum and natural gas properties		**(4,576)**	(2,159)
Property, plant & equipment		**-**	(3,017)
Changes in investing non-cash working capital	**11**	**1,558**	760
Net cash flow used in investing activities		**(3,877)**	(6,566)
Financing activities			
Proceeds from issuance of shares, net of issuance costs		**5,278**	-
Changes in financing non-cash working capital	**11**	**618**	-
Net cash flow from financing activities		**5,896**	-
Impact of foreign exchange on cash and cash equivalents		**(41)**	139
Net increase (decrease) in cash and cash equivalents		**3,227**	$ (7,186)
Cash and cash equivalents, beginning of period		**2,614**	26,934
Cash and cash equivalents, end of period		**$ 5,841**	$ 19,748

See accompanying notes to condensed consolidated interim financial statements.

1. REPORTING ENTITY:

Bengal Energy Ltd (the "Company" or "Bengal") is incorporated under the laws of the Province of Alberta and is involved in the exploration for and development of oil and gas reserves in Australia, India and Canada. The condensed consolidated interim financial statements (the "financial statements") of the Company as at June 30, 2013 and for the three months ended June 30, 2013 and 2012 are comprised of the Company and its wholly owned subsidiaries Bengal Energy International Inc. and Bengal Energy (Australia) Pty Ltd. which are incorporated in Canada and Australia respectively. The Company conducts many of its activities jointly with others; these financial statements reflect only the Company's proportionate interest in such activities.

Bengal's principal place of business and registered office is located at 1810, 801 6th Ave SW, Calgary, Alberta, Canada, T2P 3W2.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements are stated in Canadian dollars and have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended March 31, 2013. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual filings for the year ended March 31, 2013.

The condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on August 13, 2013.

On April 1, 2013, the Company adopted new standards with respect to consolidation (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the consolidated financial statements as at April 1, 2013 or on the comparative periods.

b) Basis of measurement

These condensed consolidated financial statements have been prepared on a historical cost basis.

c) Functional and presentation currency

The Company's presentation currency is Canadian dollars ($). The functional currency of the Canadian parent entity is Canadian dollars, the functional currency of the India subsidiary is U.S. dollars and the functional currency of the Australian subsidiary is Australian dollars.

3. EXPLORATION AND EVALUATION ASSETS (E&E ASSETS)

		Exploration and Evaluation Expenditures
Balance at March 31, 2012	$	10,526
Additions		16,017
Capitalized share-based compensation		166
E&E impairment loss		(927)
Exchange adjustments		634
Balance at March 31, 2013	**$**	**26,416**
Additions		859
Capitalized share-based compensation		12
E&E impairment loss		-
Exchange adjustments		(1,802)
Balance at June 30, 2013	**$**	**25,485**

Exploration and evaluation assets consist of the Company's exploration projects in Australia and India which are pending the determination of proved or probable reserves. Costs primarily consist of acquisition costs, geological & geophysical work, seismic and drilling and completion costs until the drilling of wells is complete and the results have been evaluated.

On May 23, 2013, the Company entered into a Binding Letter of Intent with a leading Australian oil and gas company to Farm-in on permit ATP 732 in Australia. Under the terms the Farm-in Agreement, the Farmee will spend up to $11.5 million AUD to drill two wells and shoot 300 square kilometers of 3D seismic to earn a 50% interest in the permit. The Farmee also has the option to become operator of the permit.

4. PETROLEUM AND NATURAL GAS PROPERTIES

		Petroleum and Natural Gas Properties $000s		Corporate Assets $000s		Total $000s
Cost:						
Balance at March 31, 2012		5,497		301		5,798
Additions		7,727		126		7,853
Capitalized share-based compensation		19		–		19
Change in decommissioning obligation		85		–		85
Exchange adjustments		482		-		482
Balance at March 31, 2013	**$**	**13,810**	**$**	**427**	**$**	**14,237**
Additions		4,576		-		4,576
Capitalized share-based compensation		24		-		24
Change in asset retirement obligation		67		-		67
Exchange adjustments		(1,538)		(17)		(1,555)
Balance at June 30, 2013	**$**	**16,939**	**$**	**410**	**$**	**17,349**

	Petroleum and Natural Gas Properties	Corporate Assets	Total
	$000s	$ 000s	$000s
Accumulated depletion, depreciation and impairment losses:			
Balance at March 31, 2012	975	88	1,063
Depletion and depreciation charge	1,300	75	1,375
Exchange adjustments	172	(3)	169
Balance at March 31, 2013	**$ 2,447**	**$ 160**	**$ 2,607**
Depletion and depreciation charge	796	18	814
Exchange adjustments	(303)	(8)	(311)
Balance at June 30, 2013	**$ 2,940**	**$ 170**	**$ 3,110**
Net book value			
At March 31, 2013	**$ 11,363**	**$ 267**	**$ 11,630**
At June 30, 2013	**$ 13,999**	**$ 240**	**$ 14,239**

The calculation of depletion for the three months ended June 30, 2013 included $26.6 million and $0.5 million for estimated future development costs associated with proved and probable reserves in Australia and Canada respectively (March 31, 2013 - $31.1 million and $0.5 million).

5. PROPERTY, PLANT AND EQUIPMENT

	Rig Equipment
Balance at March 31, 2012	$ 230
Additions	4,511
Capitalized share based compensation	15
Balance at March 31 and June 30, 2013	**$ 4,756**
Accumulated depletion, depreciation and impairment losses:	
Balance at March 31, 2012	$ -
Depreciation charge	73
Balance at March 31 and June 30, 2013	**$ 73**
Net book value	
Balance at March 31 and June 30, 2013	**$ 4,683**

On April 5, 2012 the Company purchased an Ideco H-44 drilling rig. The purchase price of the rig was US $1.75 million. Additional costs have been incurred to transport the rig from its point of purchase, prepare the rig and acquire certain ancillary equipment required for drilling operations. This rig was used to drill, case and test the Caracal-1 well on permit ATP 732.

At March 31, 2013, the Company identified a trigger of impairment relating to the drilling rig being idle at March 31, 2013. The Company estimated the recoverable amount based on a fair value less costs to sell methodology using recent market transactions as a fair value estimate. It was determined that the fair value less costs to sell exceeded the net book value of the drilling rig at March 31, 2013.

6. CONVERTIBLE AND NON-CONVERTIBLE NOTES

On January 25, 2013 the Company closed a non-brokered private placement (the “Private Placement”) of $3.5 million short-term, unsecured convertible and non-convertible notes (the “Notes”). The Private Placement consists of the placement of: (i) $1,750,000 aggregate principal amount of non-convertible notes (the "Non-Convertible Notes") bearing an interest rate of prime plus 3% per annum and having a term of 180 days; and (ii) $1,750,000 aggregate principal amount of convertible notes (the "Convertible Notes") bearing an interest rate of prime plus 3% per annum, convertible into common shares of the Company based on the closing price of the Company's common shares on a certain date and having a term of 180 days. Subsequent to June 30, 2013, $1.5 million of the Convertible Notes were converted into 2,678,571 common shares of the Company.

Convertible Note	**Total**	**Liability component**	**Equity Component**
	$000s	**$ 000s**	**$000s**
Gross proceeds	$ 1,750	$ 1,716	$ 34
Total cash fees	(20)	(19)	(1)
	1,730	1,697	33
Accretion on debt	22	22	-
Deferred tax impact	(8)	-	(8)
Balance at March 31, 2013	**$ 1,744**	**$ 1,719**	**$ 25**
Accretion on debt	23	23	-
Balance at June 30, 2013	**$ 1,767**	**$ 1,742**	**$ 25**

On April 18, 2013 the Non-convertible Note Holders agreed to extend the term of the Note from July 24, 2013 to January 24, 2014 and, as consideration for the extension, the Company has agreed to increase the interest rate payable on the Note to 10% effective July 25, 2013.

Non-Convertible Note	**Total**
	$000s
Gross proceeds	$ 1,750
Total cash fees	(19)
Implied Discount on Note	(34)
	1,697
Accretion on debt	23
Balance at March 31, 2013	$ 1,720
Accretion on debt	23
Balance at June 30, 2013	$ 1,743

7. DECOMMISSIONING AND RESTORATION LIABILITIES

The total decommissioning and restoration obligations were estimated by management based on the estimated costs to reclaim and abandon the wells, well sites and certain facilities based on the Company's contractual requirements.

Changes to decommissioning and restoration obligations were as follows:

	June 30, 2013	**March 31, 2013**
Decommissioning liabilities, beginning of period	**$ 320**	$ 228
Revision	**-**	(55)
Additions	**67**	140
Accretion	**2**	7
Decommissioning liabilities, end of period	**$ 389**	$ 320

The Company's decommissioning liabilities result from ownership interests in petroleum and natural gas properties. The Company estimates the total inflation-adjusted undiscounted amount of cash flows required to settle its decommissioning and restoration costs at June 30, 2013 is approximately $567,000 (March 31, 2013 – $421,000) which will be incurred between 2014 and 2043. An inflation factor ranging between 1.0% and 2.0% and a risk free discount rate ranging between 1.5% and 2.75% have been applied to the decommissioning liability at June 30, 2013.

8. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares with no par value.

Unlimited number of preferred shares, of which none have been issued.

(b) Issued:

The following provides a continuity of share capital:

($000s)	Number of Shares		Amount
Balance at March 31, 2013	52,110,177	$	86,246
Shares issued for cash	9,500,666		5,700
Share issue costs	-		(422)
Balance at June 30, 2013	**61,610,843**	**$**	**91,524**

On April 16, 2013 the Company issued a total of 9,500,666 Common Shares at a price of $0.60 per Common Share for aggregate gross proceeds of approximately $5,700,400. The Company paid the Agents a cash commission of approximately $282,000, being 6.0% of the gross proceeds of the Offering excluding $1,000,000 of President's list subscriptions. A total of 2,400,300 shares of the Offering were purchased by insiders of the Company.

(c) Share-based compensation – stock options:

A summary of stock option activity is presented below:

	Options	Weighted Average Exercise Price	
Outstanding at March 31, 2013	**4,196,665**	**$**	**0.98**
Granted	-		-
Forfeited	-		-
Expired	(200,000)	$	1.14
Outstanding at June 30, 2013	**3,996,665**	**$**	**0.97**
Exercisable at June 30, 2013	2,400,000	$	1.12

(d) Earnings (loss) per share:

Earnings (loss) per share is calculated based on net loss and the weighted-average number of common shares outstanding.

For the three months ended June 30, 2013	Income (loss) for the period $000s	Weighted Average number of shares	Per share amount
Net income for the period – Basic	$ 836	59,640,396	$ 0.01
Net income for the period - Diluted	$ 836	63,454,520	$ 0.01
For the year ended March 31, 2013			
Net income for the period – Basic & diluted	$ (1,799)	52,110,177	$ (0.03)

At June 30, 2013, there were 2,444,998 (March 31, 2013 – 4,196,665) options considered anti-dilutive and there were 3,125,000 shares included in the dilution calculation based on the convertible note exercise price of $0.56 per common share.

9. FINANCE EXPENSES

Periods Ended ($000s)		June 30, 2013		June 30, 2012
Accretion	$	2	$	2
Performance security guarantee fee		-		24
Interest on Notes payable		52		-
Accretion on notes payable		46		-
Finance expenses	**$**	**100**	$	26

10. FINANCIAL RISK MANAGEMENT

Foreign currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Bengal receives Canadian dollars for sales in Canada, U.S. dollars for Australian oil sales and incurs expenditures in Australian, Canadian and U.S. currencies. Having sales and expenditures denominated in three currencies spreads the impact of individual currency fluctuations.

The Company may enter into derivative foreign currency contracts in order to manage foreign currency exchange rate risk, but has not done so to date.

The table below shows the Company's exposure to foreign currencies for its financial instruments (denominated in local currencies):

As at June 30, 2013 ($000s)						
		CAD		AUD		U.S.D
Cash and short-term deposits	$	1,154	$	3,184	$	2,008
Restricted cash		140		-		-
Accounts receivable		111		134		3,508
Accounts payable and accrued liabilities		(984)		(5,904)		(274)
Notes payable		(3,485)		-		-
	$	(3,064)	$	(2,586)	$	5,242

Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Bengal's cash calls paid to joint venture partners and receivables from petroleum and natural gas marketers. As at June 30, 2013, Bengal's receivables consisted of $3.7 million (March 31, 2013 - $3.4 million) from joint venture partners and $0.2 million (March 31, 2013 - $0.2 million) of other trade receivables.

In Australia, production is purchased by a consortium led by one of Australia's largest public oil and gas companies which is also the operator of Bengal's production. Bengal has a Crude Oil Purchase Agreement with this purchaser and has not experienced any collection problems to date.

Cash calls paid to Bengal's Australian joint venture partners are held in trust accounts by the partner until spent. Bengal attempts to mitigate the risk from joint venture receivables by approving significant spending by partners prior to expenditure and only paying the cash call shortly before the funds are to be spent.

At June 30, 2013, the Company had $0.1 million (March 31, 2013 - $0.1 million) that was considered past due (past due is considered greater than 90 days outstanding). The Company does not believe there is any collection risk with the past due receivable.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. Bengal establishes an allowance for doubtful accounts as determined by management based on their assessment of collection. Bengal does not have an allowance for doubtful accounts as at

June 30, 2013 (March 31, 2013 - $nil) and did not write-off any receivables at June 30, 2013 or March 31, 2013.

Cash and cash equivalents, when held, consist of cash bank balances and guaranteed investment certificates redeemable at any time. Bengal manages the credit exposure related to guaranteed investments by selecting counterparties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper.

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations, including work commitments, as they are due. Bengal prepares an annual budget and updates forecasts for operating, financing and investing activities on an ongoing basis to ensure it will have sufficient liquidity to meet its liabilities when due. Bengal's financial liabilities consist of accounts payable, accrued liabilities and Notes payable and amounted to $10.4 million at June 30, 2013 (March 31, 2013 - $8.1 million). Bengal had $5.8 million in cash (March 31, 2013 - $2.1 million), $0.1 million in restricted cash (March 31, 2013 - $0.1 million) resulting in a working capital deficit of $0.3 million at June 30, 2013 (March 31, 2013 - $1.6 million). All accounts payable, accrued liabilities and notes payable are due within one year. Subsequent to June 30, 2013 the Company closed an $8.0 million private placement of non-convertible notes primarily for the purpose of acquiring an additional 5.357% interest in the Cuisinier Field (see Note 14)

As the Company is in the early stages of exploration as well as development of its Cuisinier light oil resource play, and although it is generating operating revenue, funding of most activities to date has been supplemented through the issuance of share capital and more recently by debt instruments. It is expected that further equity and debt financings, as well as joint ventures and farm-ins when appropriate, will be used to fund ongoing operations and the Company's projected capital program, supplemented by cash flow from operations, working capital and debt, when the level of operations provides borrowing capacity.

11. SUPPLEMENTAL CASH FLOW INFORMATION

Periods Ended ($000s)		June 30, 2013		June 30, 2012
Accounts receivable	**$**	**(379)**	$	(476)
Prepaid expenses and deposits		**(129)**		3
Accounts payable and accrued liabilities		**2,201**		536
Total	**$**	**1,693**	$	(63)
Relating to:				
Operating	**$**	**(483)**	$	(697)
Financing		**618**		-
Investing		**1,558**		760
Total	**$**	**1,693**	$	63

Note – changes in working capital consider elements of unrealized foreign exchange differences on assets and liabilities denominated in a foreign currency.

The following represents the cash interest received in each period.

Quarters Ended ($000s)		June 30, 2013		June 30, 2012
Cash interest received	**$**	**11**	$	108

12. COMMITMENTS

Pursuant to current production sharing contracts ("PSC"), the Company is required to perform minimum exploration activities that include various types of surveys, acquisition and processing of seismic data and drilling of exploration wells. Additional commitments are reflected where the Company has agreed with joint venture partners to proceed with activities. The costs of these activities are based on minimum work budgets included in bid documents and have not been provided for in the financial statements. Actual costs will vary from budget.

Country and Permit	Work Program	Obligation Period Ending	Estimated Expenditure (net) (millions CAD$)(1)
Onshore Australia – ATP 752 Cuisinier	Complete tie-in of 5 well drilling program and drill 6th well	June 2013 to April , 2014	$1.4
Onshore India – CY-ONN-2009/1	Three wells	March 3, 2014(2)	$ 4.3
Offshore India – CY-OSN-2009/1	310km 2D seismic & 81km² 3D seismic	August 15, 2014(3)	$ 5.5

(1) Converted at June 30, 2013 exchange rate of US $1.0000 = CAD $1.0515 and AUD $1.0000 = CAD $0.9604
(2) If the Company did not participate in the drilling of three wells, costs of up to $4.8 million could be impaired and the Company's interest in the permit would decline proportionately to the amount of non-participation.
(3) The Company is looking for a partner to participate in this permit and share the costs

At June 30, 2013 the Company had the following lease commitment for office space in Canada:

($000s)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Office lease	$ 935	$ 245	$ 500	$ 190	$ -

Effective April 1, 2012 the Company entered into a head office lease in Calgary, Canada for a term of five years.

13. CONTINGENCIES

Final application for the grant of permit ATP 934 has been filed with the Queensland Government regulatory authority. No further activity is planned on this permit until the final Ministerial Grant of the tenement is received. Potential legislative changes may result in a lower commitment than shown in the table below; The Company holds a 50% operating interest in this permit. The Work program consists of 500 km of 2D seismic and up to seven wells.

Country and Permit	Work Program	Obligation Period Ending	Estimated Expenditure (net) (millions CAD$)
Onshore Australia – ATP 934P	Awaiting Ministerial approval before granting of ATP	4 years after grant of ATP	$ 11.2

14. RELATED PARTY TRANSACTIONS

On April 16, 2013 the Company announced that it closed a brokered private placement of common shares. The Company issued a total of 9,500,666 Common Shares at a price of $0.60 per Common Share for aggregate gross proceeds of approximately $5,700,400. A total of 2,400,300 shares of the Offering were purchased by insiders of the Company.

On April 18, 2013, the term of the Company's non-convertible notes were extended from July 24, 2013 to January 24, 2014. As consideration for the extension of the maturity date, the interest rate payable under the non-convertible notes was increased to 10.0% per annum from prime plus 3% effective July 25, 2013. Insiders hold approximately 85% of these Notes.

Subsequent to quarter end, on July 5, 2013 the Company closed a non-brokered private placement (the "Private Placement") of 8,000 Units ("Units") of the Company at a price of $1,000 per Unit for aggregate gross proceeds of $8.0 million. Each Unit consists of $1,000 principal amount of 10% unsecured non-convertible redeemable notes ("Notes") and either: (i) 156.25 common share purchase warrants ("Warrants"), in the case of subscriptions by non-insiders, or (ii) 156.25 value appreciation rights ("VAR's), in the case of subscriptions by insiders. The Notes bear interest at a rate of 10% per annum, payable quarterly, and have a term of 36 months. Following the first anniversary of the closing date (the "Closing Date") of the Private Placement, the Company shall be required to make quarterly repayments of the outstanding principal of Notes in an amount equal to 6.25% of the principal amount of Notes outstanding on the last day of each applicable quarter. Each whole Warrant entitles the holder thereof, for a period of 36 months following the Closing Date, to acquire one common share (a "Common Share") in the capital of the Company at a purchase price equal to $0.75 per share. Each whole VAR entitles the holder thereof, for a period of 36 months following the Closing Date, to exercise the VAR and thereby receive a cash payment equal to the difference between the market price of one Common Share on the exercise date and $0.75. Certain insiders of the Company purchased 3,500 Units representing over 40% of the total Units issued, and 4,500 Units were purchased by non-insiders.

The proceeds from the July 5, 2013 $8.0 million Private Placement of Units will be used to fund the Company's previously announced exercise of a pre-emptive right to purchase an additional 5.357% interest in the Cuisinier Oil Field and Authority to Prospect 752P in the Cooper-Eromanga Basin in Queensland, Australia. Upon completion of the Acquisition, the Company's total ownership in Cuisinier will increase to 30.357%.

In July certain insiders of the Company elected to convert $1.5 million of short-term convertible notes into commons shares of Bengal at an exercise price of $0.56 per common share.

15. SEGMENTED INFORMATION

As at June 30, 2013, the Company has three reportable operating segments being the Australian, Canadian and Indian oil and gas operations. India is considered to be in the pre-production stage.

Revenue reported below represents revenue generated from external customers. There were no inter-segment sales in any of the reported periods.

The accounting policies of the reportable segments are the same as the group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the three months ended June 30, 2013 ($000s)								
	Australia		Canada		India		Total	
Revenue	$	3,626	$	96	$	−	$	3,722
Interest revenue		11		-		-		11
Interest expense		-		52		-		52
Depletion and depreciation		786		28		-		814
Net earnings		1,596		(579)		(181)		836
Exploration and evaluation expenditures		514		-		345		859
Petroleum and natural gas property expenditures		4,576		-		-		4,576
Impairment loss		2		-		-		2

As at June 30, 2013 ($000s)								
Petroleum and natural gas properties								
Cost	$	16,177	$	1,172	$	−	$	17,349
Impairment losses		-		(311)		-		(311)
Accumulated depletion, depreciation and accretion		(2,303)		(496)		-		(2,799)
Net book value	$	13,874	$	365	$	−	$	14,239
Exploration and evaluation assets		24,934		-		5,673		30,607
Accumulated impairment loss		(5,122)		-		-		(5,122)
Net book value	$	19,812	$	-	$	5,673	$	25,485
Property, plant & equipment		-		4,756		-		4,756
Accumulated depletion, depreciation and accretion		-		(73)		-		(73)
Net book value	$	-	$	4,683	$	-	$	4,683

For the three months ended June 30, 2012 ($000s)								
	Australia		Canada		India		Total	
Revenue	$	433	$	65	$	−	$	498
Interest revenue		49		41		2		92
Depletion and depreciation		58		36		−		94
Net loss		795		(779)		(236)		(220)
Exploration and evaluation expenditures		1,107		−		1,043		2,150
Petroleum and natural gas property expenditures		2,147		12		−		2,159
Recovery of impairment loss		847		-		−		847
Property, plant & equipment expenditures		-		3,017		-		3,017

As at June 30, 2012 ($000s)								
Petroleum and natural gas properties								
Cost	$	6,889	$	1,207	$	−	$	8,096
Impairment Loss				(311)				(311)
Accumulated depletion, depreciation and accretion		(470)		(383)				(853)
Net book value	$	6,419	$	513	$	−	$	6,932
Exploration and evaluation assets		13,629		−		3,426		17,055
Accumulated impairment loss		(4,194)		−		−		(4,194)
Net book value	$	9,435	$	-	$	3,426	$	12,861
Property, plant & equipment	$	-	$	3,247		-	$	3,247

CORPORATE INFORMATION

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Allen’s Arthur Robinson • Brisbane, Australia

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West Pac Bank • Brisbane, Australia
Commonwealth Bank • Brisbane, Australia
ICICI Bank Ltd. • Calgary, Canada and Mumbai, India

REGISTRAR AND TRANSFER AGENT

Valiant Trust Corporation • Calgary, Canada

INVESTOR RELATIONS

Bryan Mills Iradesso • Calgary, Canada
5 Quarters Investor Relations • Calgary, Canada

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Peter D. Gaffney
James B. Howe
Stephen N. Inbusch
Dr. Brian J. Moss
R. D. (Bob) Steele
Ian J. Towers (Chairman)
W.B. (Bill) Wheeler

DISCLOSURE COMMITTEE

All Directors are members of the Committee

AUDIT COMMITTEE

James B. Howe (Chairman)
Stephen N. Inbusch
R. D. (Bob) Steele
W.B. (Bill) Wheeler

RESERVES COMMITTEE

Peter D. Gaffney (Chairman)
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Ian J. Towers

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Chayan Chakrabarty, President & Chief Executive Officer
Richard N. Edgar, Executive Vice President
Bryan C. Goudie, Chief Financial Officer
Gordon R. MacMahon, Vice President, Exploration
Bruce Allford, Secretary

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